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Real Estate Economists, Appraisers and Counselors

"QUICK SHOPS"

DURING the past several months we have been performing an increasing number of market feasibility studies on small, modern retail grocery outlets, often referred to as "quick shops," "superettes," or "bantam markets." The increase in this type of operation throughout many sectors of the United States should serve to interest real estate market analysts, appraisers, and lenders in this area of retail development.

It is the intention of this article to set forth, in somewhat general terms, some of the characteristics of the typical "quick shop." By definition, a "quick shop" may be described as a self-service, limited brand selection, convenience grocery store. It should be stated that the figures and observations that appear in this bulletin represent averages and, like any retail operation data, they require adjustments for each sector of the country.

Store size, in terms of gross floor area, ranges from 2,000 to 5,000 square feet. In most instances, the shops are open sixteen hours per day (7 a.m. - 11 p.m.), seven days a week. The stores strive to carry the type of items most often demanded by the particular trade area. Usually between 2,500 and 3,500 items are stocked. Normally these items are of the same type found in the typical supermarket, except that the "quick shops" offer fewer brands and, in most cases, do not provide a butcher but have a frozen meat display.

LOCATION

The locational characteristics involved in a "quick shop" are of a somewhat different nature than those of a full-service supermarket. Although drive-in parking must be provided, the stores cater to the small unit purchases and, therefore, must be readily accessible to the neighboring population. Much like the corner drug store or service station, these shops primarily require close proximity to built-up residential neighborhoods. This can often be a plus factor when it comes to acquiring a desirable site. For example, extra land may become available when a service station purchases more than enough land to meet its needs. This extra area (mainly used as an additional parking apron) manytimes can fulfill the area requirements of the average "quick shop." Not only can the service station reduce some of its land investment by selling a portion to a "quick shop," but added customer traffic can serve to benefit both businesses. To mention just

one other source of locations, we point to the excellent tenants these shops make in the small convenience type, neighborhood shopping centers. We find that a center of this type, made up of a "quick shop," beauty parlor, laundromat, hardware store, etc., frequently develops a favorable balance of neighborhood retail uses.

In any case, these shops provide excellent outlets for the piece of land that is often thought to be too small for proper commercial development. The aware real estate broker or owner may be able to spot these "extra" sites right in his immediate locale.

TRADE AREA

When determining the trade area for a conventional supermarket, such factors as existing competition, driving time, traffic pattern and natural or manmade barriers are taken into consideration. However, in the analysis of a "quick shop" the aspect of ready convenience becomes the major influencing factor in determining the proper trade area. Because of extended (16 hours) daily operation and weekend-holiday opening, the "quick shops" in reality have a double trade area. When existing competition is open these shops experience a contracted trade area limited, in most cases, to walk-in customers and low-unit sales. When the existing competition is closed, there is an extension of trade area. But, in both instances, convenience is still the prime determinant in analyzing a particular "quick shop" location. We believe that a 3- to 5-minute driving time range emanating from the site under consideration serves to define its major trade area. A minimum of between 750 and 1,000 occupied homes or apartment units must be included in the driving time range for normal operation.

SALES VOLUME

As stated earlier in this bulletin, we find that the average "quick shop" contains 2,000 to 5,000 square feet of gross floor area. This size range combined with the many possible differences in trade area characteristics produces some variance in average total sales volume and in the average sales per purchase. At the 2,000 square foot level we find the average customer spending approximately \$.75 to \$1.00 each time the store is entered. In a well-located store the customer will average three to four visits per week. Approaching the 5,000 square foot level we find the average purchase increasing while the number of visits weekly declines. This is, of course, due to the wider line of items that the larger facility is capable of stocking. The average purchase in a 5,000 square foot store ranges from \$1.50 to \$2.00 and the number of weekly visits rarely exceeds two per customer. Of course, the highest daily sales volume is reached on holidays and weekends in that order. Customer time spent in each store ranges from two to five minutes, depending on the store size. Again, we stress that the aforementioned statistics have been developed from our own experience and from information supplied by various individuals operating in this field. These data are subject to the variations which accompany the use of averages.

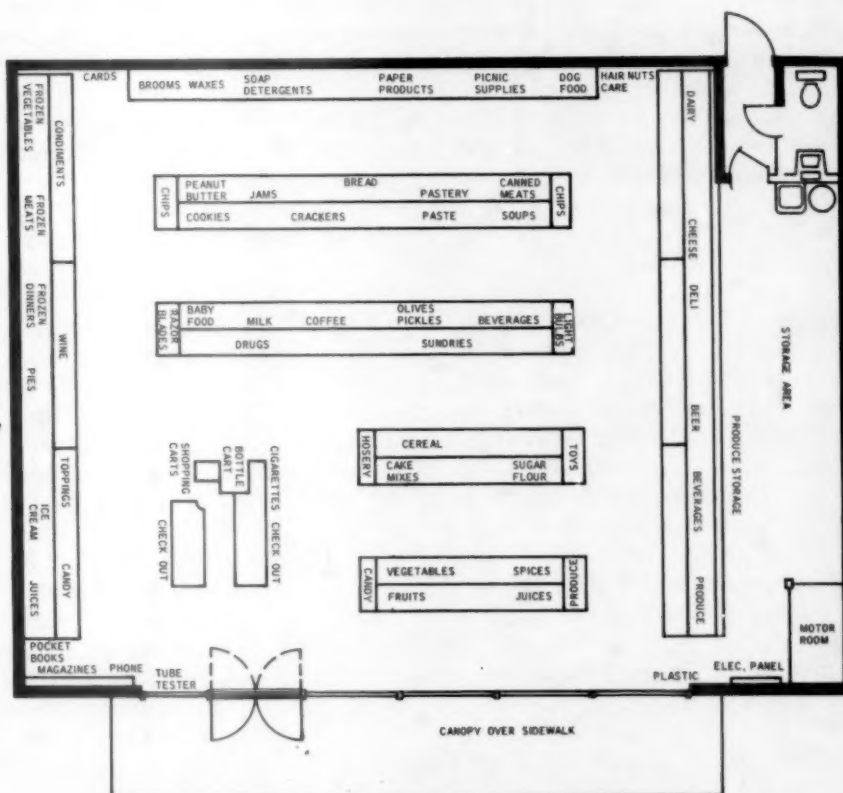
CONSTRUCTION AND LAYOUT

of a well-designed "quick shop." The improvement is usually of concrete block construction without any basement area. An asphalt parking lot set up on a ratio of between 2 and 2.5 to 1 is normally large enough to handle the rapid customer turnover. Ingress and egress must be carefully considered because of the importance of overall convenience. The interior should utilize modern fixtures and display arrangements. The diagram pictured below is one plan that has been successfully employed in approximately 85 California locations.

OWNERSHIP

The modern "quick shops" most often are on a franchise basis. This enables the individual store operator to benefit from large-scale advertising and well-developed managerial advice. Great care is often given to the training of a new operator. Bookkeeping, stock control, promotion, etc., are part of the new owner's education. Often a husband-wife combination will apply for a franchise. This "family touch" is very desirable in a neighborhood convenience store of this type.

Layout for "QUICK SHOP"



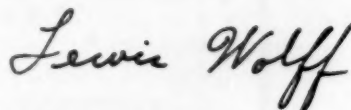
We were informed by one representative that they employed three methods of developing a piece of property. One method is to purchase the land and then construct the "quick shops" themselves. A second procedure is to lease the land and have the lessor build the shop. In general, these leases run 15 years with one or more 5-year renewal options. The minimum rental per square foot per annum ranges between \$1.75 and \$2.15, depending upon the location in question. The lessor under these circumstances pays taxes, fire and extended coverage insurance, and exterior building maintenance only. Another method that is often employed is to enter into a ground lease for the land and build their own facilities.

FINAL OBSERVATIONS

The "quick shops" represent a good combination of convenience, modern merchandising, and personal contact.

The well-developed techniques employed by the conventional supermarket, scaled down to "quick shop" size and molded with the ability of the individual entrepreneur can, in our opinion, provide a successful type of modern, limited-investment merchandising. Accurate site selection studies, trade area determinations, and sales volume estimates are of prime importance.

We believe that the personal service and off-hour operation will continue to encourage this mode of merchandising throughout the country.



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